

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: ECON, PINT, CA
SUBJECT: HOBSON'S CHOICE

1. QUEBEC FINANCE MINISTER, JACQUES PARIZEAU, IN AN UNUSUALLY FRANK STATEMENT TO PRESS (SEE QUEBEC 0249) SAID FLATLY THAT OF ALL POSSIBLE FORMS OF ECONOMIC ASSOCIATION WITH CANADA ONLY A CUSTOMS UNION WITH ONTARIO IS AN ABSOLUTE NECESSITY FOR A SOVEREIGN QUEBEC. ON SEVERAL OTHER OCCASIONS PARIZEAU HAS VOICED CONFIDENT BELIEF THAT ONTARIO WILL ULTIMATELY BE FORCED ENTER CUSTOMS UNION WITH QUEBEC BECAUSE OF THE VITAL IMPORTANCE OF QUEBEC AS A MARKET FOR ONTARIO'S SECONDARY AND SERVICE INDUSTRIES. SURPRISINGLY, NO FEDERALIST SPOKESMEN, TO MY KNOWLEDGE, HAVE SERIOUSLY CHALLENGED PARIZEAU ON THIS FUNDAMENTAL PREMISE, ASIDE FROM A PRO-FORMA REJECTION OF SOVEREIGNTY-ASSOCIATION BY PREMIER DAVIS.

2. AFTER GIVING PARIZEAU'S STATEMENT SOME THOUGHT, I MUST AGREE
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THAT ONTARIO'S ATTITUDE IS VITAL TO THE CONCLUSION OF AN ECONOMIC ASSOCIATION BETWEEN A SOVEREIGN QUEBEC AND THE REST OF CANADA. HOWEVER, I WOULD QUESTION HIS ASSUMPTION THAT ONTARIO'S FAVORABLE DECISION IS MADE INEVITABLE BY HER ECONOMIC INTEREST IN PRESERVING A PRIVELEGED POSITION IN THE QUEBEC MARKET. CLEARLY, QUEBEC'S MARKET IS OF GREAT IMPORTANCE TO ONTARIO. NONETHELESS, IT SEEMS TO ME THAT SHE COULD BE FORCED FOREGO

CONTINUED ACCESS BY THE RELUCTANCE OF THE WESTERN PROVINCES TO ENTER INTO A CUSTOMS UNION WITH QUEBEC. ONCE POLITICAL UNION IS SEVERED, WHAT FURTHER INTEREST WOULD WESTERNERS HAVE IN PROVIDING A PROTECTED MARKET FOR QUEBEC'S HIGH COST CONSUMER GOODS? PRESUMABLY, VERY LITTLE* ASIDE FROM ITS PURCHASES OF WESTERN BEEF AND WHEAT, QUEBEC'S PRESENCE IN A CUSTOMS UNION PROVIDES PRECIOUS FEW ADVANTAGES AND VERY REAL DISADVANTAGES TO WESTERN PROVINCES. THUS, SHOULD THE TIME COME, STRONG ECONOMIC REASONS WOULD LIKELY COMBINE WITH EMOTIONAL ONES TO ENCOURAGE WESTERN REJECTION OF A CUSTOMS UNION WITH QUEBEC.

3. IN SUCH CIRCUMSTANCES, ONTARIO IS LIKELY TO BE FACED WITH A HOBSON'S CHOICE IN WHICH SHE MUST CHOOSE BETWEEN CONTINUED ASSOCIATION WITH THE WEST OR WITH QUEBEC. OBVIOUSLY, PARTICIPATION IN TWO SEPARATE CUSTOMS UNIONS IS TECHNICALLY IMPOSSIBLE. THERE ARE OVVIOUS DISADVANTAGES FOR ONTARIO ON BOTH SIDES OF SUCH A CHOICE. ULTIMATELY, ON WHICH SIDE DO THE PREPONDERANCE OF ONTARIO'S INTERESTS LIE? ARE THEY ON THE SIDE OF HISTORIC TIES WITH QUEBEC WHERE ONTARIO CONTINUES TO SELL A LARGE PROPORTION OF ITS GOODS AND SERVICES? OR, ARE THEY ON THE SIDE OF AN ASSOCIATION WITH THE RESOURCES RICH, ECONOMICALLY VIBRANT WESTERN PROVINCES? FOR EMOTIVE AS WELL AS ECONOMIC REASONS I WOULD GUESS ONTARIO WOULD RELUCTANTLY REJECT THE QUEBEC CONNECTION ACCEPTING THE MAJOR ECONOMIC LOSSES THIS WOULD ENTAIL IN FAVOR OF CONTINUED ASSOCIATION WITH THE WEST. THIS ASSESSMENT IS BASED ON ASSUMPTION THAT WESTERN PROVINCES WOULD LIMITED OFFICIAL USE

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CONTINUE TO WELCOME ECONOMIC UNION WITH ONTARIO WHICH ENTAILS MANY OF THE SAME ECONOMIC DISADVANTAGES FOR THEM THAT ASSOCIATION WITH QUEBEC DOES.

4. COMMENT: THE ABOVE ANALYSIS IS MADE FROM THE LIMITED PRESPECTIVE OF QUEBEC BY ONE WHO HAS NEVER TRAVELED FURTHER WESTWARD IN CANADA THAN OTTAWA. COMMENTS BY COLLEAGUES WITH GREATER KNOWLEDGE OF THESE WESTERN HINTERLANDS WOULD BE WELCOMED. IN QUEBEC, THE LARGE NUMBER OF UNDECIDED VOTERS WILL BE GREATLY INFLUENCED BY THEIR PERCEPTION OF THE PROBABILITY OF CONTINUED ECONOMIC ASSOCIATION.
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